PARTS OF THE ORIGINAL DOCUMENT

ARE OF POOR REPRODUCTIVE QUALITY

CERTAINES PARTIES DU DOCUMENT ORIGINAL

SONT DE PIÈTRE QUALITÉ DE REPRODUCTION

1988 Financial Report

PROVINCE OF ONTARIO

Contents

Treasurer's statement	1
The year in review	3
Revenue	6
Expenditure and its major components	8
Other transactions	13
Consolidated debt of the Ontario public sector	14
Selected financial and economic statistics	16
Financial statements	21
Provincial Auditor's opinion	33
Sources of additional information	34

Copies of the report in English or French are available free from the
Ontario Government Bookstore,
880 Bay St. Toronto.
Out-of-town customers write to
Publications Ontario, 5th Floor,
880 Bay St., Toronto, Ontario, M7A 1N8.
Telephone 965-6015. Toll free long distance
1-800-268-7540.
In Northwestern Ontario, 0-Zenith 67200.

ISSN 0318-4005.

General inquiries regarding the Financial Report should be directed to:

Ministry of Treasury and Economics
Office of the Treasury
Frost Building North, 2nd Floor
Toronto, Ontario M7A 1Y7
(416) 965-5273/965-1731

On peut obtenir des exemplaires gratuits de ce rapport en français ou en anglais en en faisant la demande a la
Librairie du gouvernement de l'Ontario,
880, rue Bay à Toronto.
On peut aussi ecrire a
Publications Ontario
5e etage
880, rue Bay, Toronto (Ontario) M7A 1N8.
Telephone : 965-6015. Interurbain sans frais :
1-800-268-7540. Dans le Nord-Ouest de l'Ontario : O-Zenith 67200.

ISBN 0708-5613

Adresser les demandes de renseignements generaux sur le Rapport financier au :

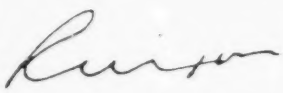
Ministere du Tresor et de l'Economie
Bureau du Tresor
Edifice Frost nord, 2e etage
Toronto (Ontario) M7A 1Y7
(416) 965-5273/965-1731

Treasurer's Statement

I am pleased to present the 1988 Financial Report of the Province of Ontario. It highlights the major aspects of Ontario's finances and presents summarized financial statements of the Province for the fiscal year ended March 31, 1988. The 1987-88 Public Accounts, which will be submitted to the Ontario Legislature later this year, provide more detailed financial information.

Both the deficit and net cash requirements are at their lowest levels in six years, a continuing positive trend. The deficit for the year was $2,489 million, down $145 million from the previous year. The net cash requirements of $1,286 million are down from $1,348 million in 1986-87.

Comments or questions on the contents of this Report are welcomed. You are invited to send them to the Office of the Treasury, Ministry of Treasury and Economics, 2nd Floor, Frost Building North, Queen's Park, Toronto, Ontario M7A 1Y7, telephone (416) 965-5273.



Robert F. Nixon
Treasurer of Ontario

Toronto, August 1988

Ontario

The Year in Review

Highlights
($ millions)

	1987-88	1986-87
Revenue	32,453	29,544
Expenditure	34,942	32,178
Deficit	2,489	2,634
Other transactions (net)	1,203	1,286
Net cash requirements	1,286	1,348
Gross domestic product*	223,952	204,411

* Calculated on a calendar year basis.

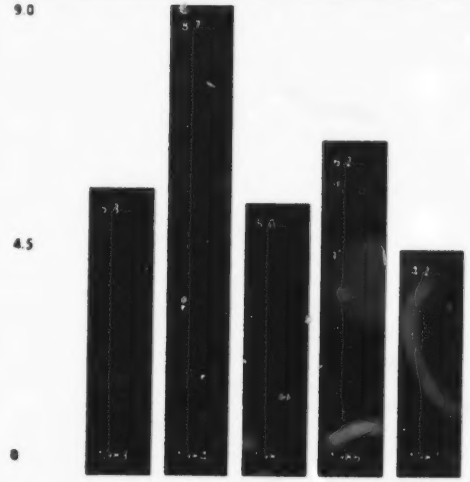
Ontario's economy

In 1987, Ontario's economy continued its strong performance. This was due to substantial advances in consumer and business spending with the housing sector showing exceptional strength. Recent trends in provincial economic indicators are set out in the following graphs and commentary.

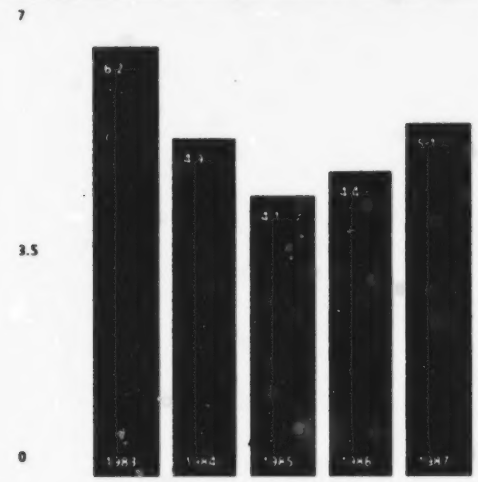
Real gross domestic product (GDP) growth

A key measure of the productive health of the provincial economy is real GDP growth - the percentage change in the value of all goods and services produced in Ontario, adjusted for inflation. In 1987, real GDP rose 4.2 per cent, marking the fifth consecutive year of economic growth in Ontario.

Graph 1
Real GDP growth



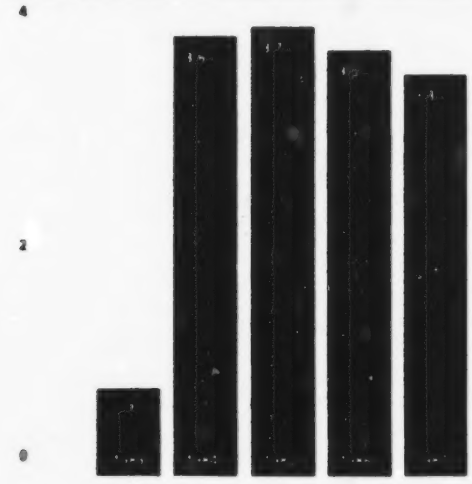
Graph 2
Provincial inflation rate



Provincial rate of inflation

The rate of inflation in Ontario, as measured by the Consumer Price Index, has been moderate throughout the expansion, rising by 5.1 per cent in 1987.

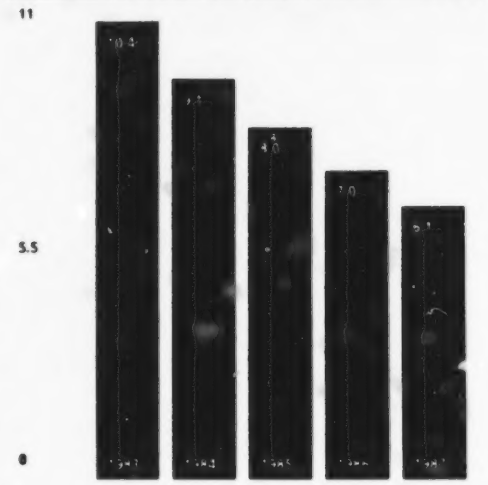
Graph 3
Growth in employment



Growth in employment

A central element of an economy's health is its ability to create jobs. Strong economic growth in Ontario has led to substantial gains in employment. Employment grew by 3.3 per cent in 1987.

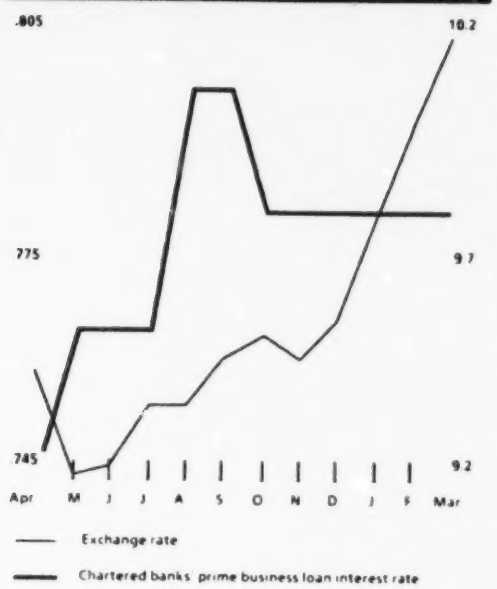
Graph 4
Unemployment rate



Unemployment rate

The average annual unemployment rate continued to decline, dropping to 6.1 per cent in 1987 from 7.0 per cent in 1986.

Graph 5
Prime rate/exchange rate Apr.87 - Mar.88



Interest rate and exchange rate

During fiscal 1987-88, the Canadian dollar continued to appreciate against the U.S. dollar.

The prime rate in Canada rose in the first half of the fiscal year and fell to a stable 9.75 per cent in the second half of the fiscal year, generally in line with the movement of U.S. interest rates.

Revenue highlights

Revenues at $32,453 million were $175 million above the Budget forecast. Retail Sales Tax was $245 million more than originally budgeted due to higher levels of consumer spending. This was offset partly by lower than expected revenues from personal and corporations taxes.

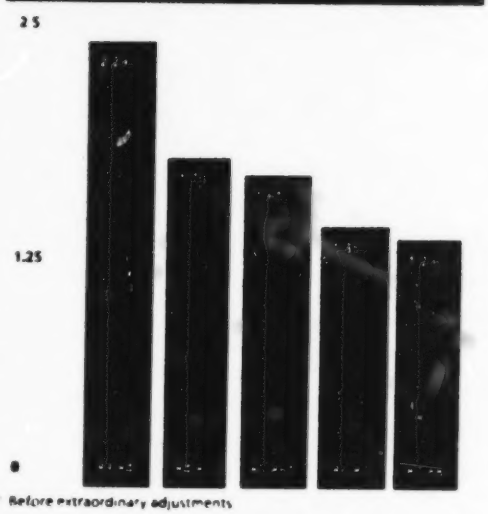
Expenditure highlights

Expenditures at $34,942 million, were $596 million above the Budget plan. The Ontario Health Insurance Plan received an additional $198 million for payments to doctors and other practitioners, reflecting increased utilization of insured services and adjustments to the OHIP schedule of benefits. Payments under the Family Benefits and General Welfare Assistance programs required an additional $126 million due to higher caseloads and increased benefit rates. School boards received an additional $90 million for increased school enrolments.

Net cash requirements

Net cash requirements for the year ended March 31, 1988 were $1,286 million, $306 million above the Budget estimate. Graph 6 shows the net cash requirements for the past five years with 1988 being down $1 billion from 1984.

Graph 6
Net cash requirements



* Before extraordinary adjustments

Revenue

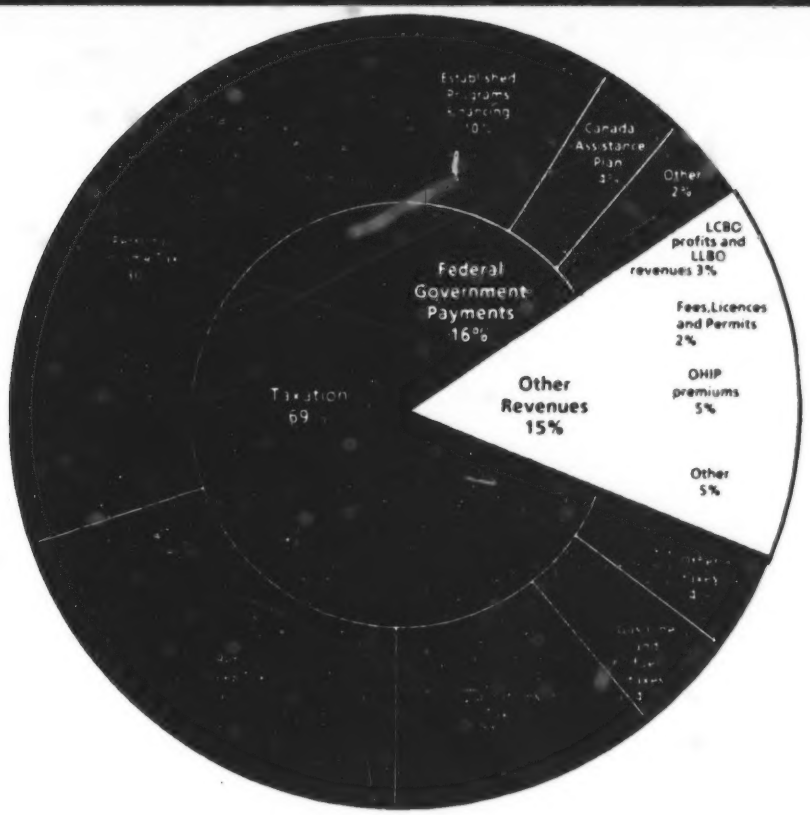
Revenue for 1988 was $32,453 million. The major sources of revenue and their respective percentages are shown in Chart 7. A comparison of the major sources of revenue against the original Budget is shown in Table 1.

Taxation

Retail Sales Tax was $245 million above the 1987-88 Budget estimate, reflecting stronger than expected consumer spending which was aided by lower interest rates and increased employment.

Personal income tax revenue was $100 million below the Budget estimate because adjustments for prior years by the federal government were less than expected. Corporations tax revenue was $100 million below the Budget estimate due to larger than anticipated refunds in respect of prior years. Higher public utilities income tax revenues, gasoline tax revenues and land transfer tax revenues partially offset these decreases.

Chart 7
Sources of revenue



Payments from the Government of Canada

Total payments of $5,075 million were $47 million above the Budget estimate.

Canada Assistance Plan payments increased by $65 million, reflecting higher social assistance spending by the Province This increase was offset by lower payments under Established Programs Financing of $14 million

Health insurance premiums

Premiums of $1,723 million collected under the Ontario Health Insurance Plan (OHIP) were $36 million more than the Budget estimate as a result of growth in population and employment A broad program of premium assistance is in place for senior citizens, social assistance recipients and others requiring financial assistance which cost approximately $770 million in forgone premium revenue

Performance of major revenues 1987-88 **Table 1**

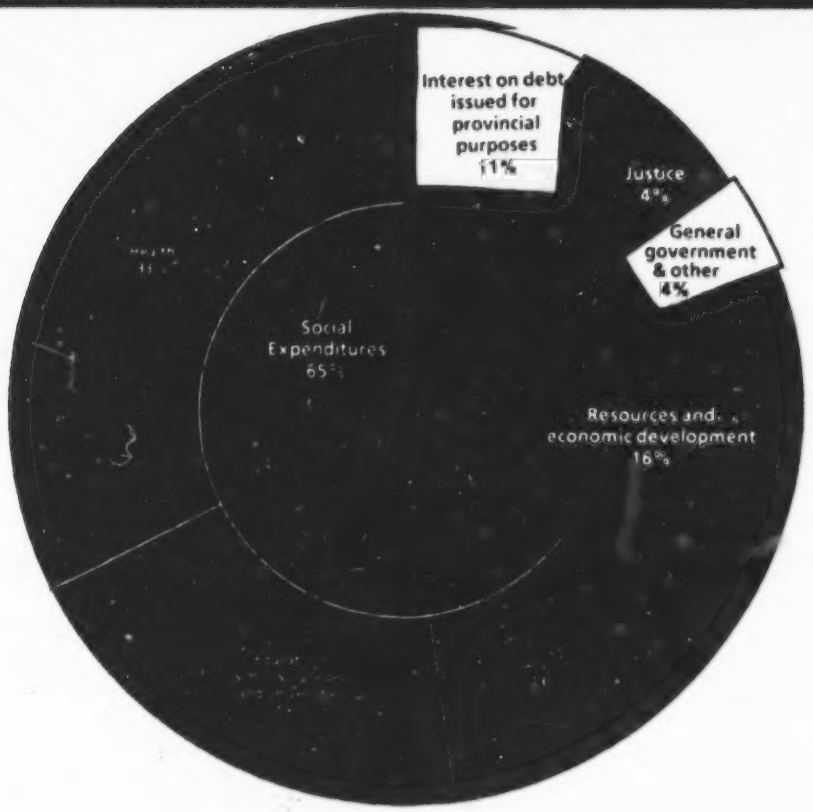
($ millions)			Budget		Variance	
Taxation:						
Personal income tax	9,859		9,959		-100	
Retail sales tax	6,305		6,060		+245	
Corporations tax	3,600		3,700		-100	
Other	2,625		2,543		+82	
		22,389		22,262		+127
Government of Canada:						
Established programs financing	3,209		3,223		-14	
Canada Assistance Plan	1,305		1,240		+65	
Other	561		565		-4	
		5,075		5,028		+47
OHIP premiums	1,723		1,687		+36	
LCBO profits and LLBO revenues	1,002		998		+4	
Fees, licences and permits	755		778		-23	
Ontario Lottery Corporation	470		500		-30	
Interest on investments, etc.	295		300		-5	
Other	744		725		+19	
		4,989		4,988		+1
Total		32,453		32,278		+175

Expenditure and its Major Components

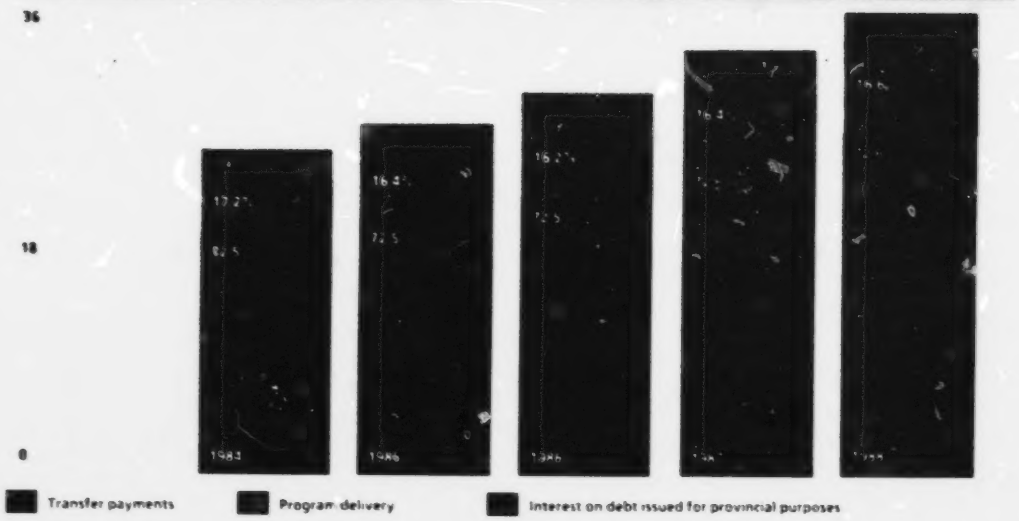
Total expenditure was $34,942 million, $596 million over the Budget estimate. Chart 8 shows expenditure by major category.

The major components of expenditure are transfer payments, program delivery costs and interest on debt issued for provincial purposes. Graph 9 illustrates the five year trend of these components as a percentage of total expenditure.

Chart 8
Expenditure by major category



Graph 9
Major components as a percentage of expenditure
$ billions



Transfer payments
Transfer payments, which include grants, subsidies and assistance to persons and other government bodies, represented 72.6 per cent of expenditure and amounted to $25,366 million.

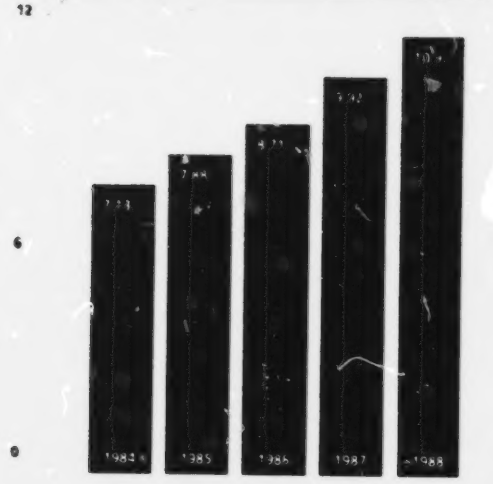
Graphs 10, 11 and 12 show the five year trend of transfer payments for health, education and social services.

• **Health transfer payments** of $10,940 million included:

- $5,510 million (50%) transferred to hospitals and related facilities for operating and capital purposes;
- $3,628 million (33%) as payments to physicians and other health practitioners for services and health care provided under the Ontario Health Insurance Plan (OHIP);
- $1,276 million (12%) for extended and special care programs, ambulance and other health services;

- $498 million (4%) in free prescription drugs provided to seniors.

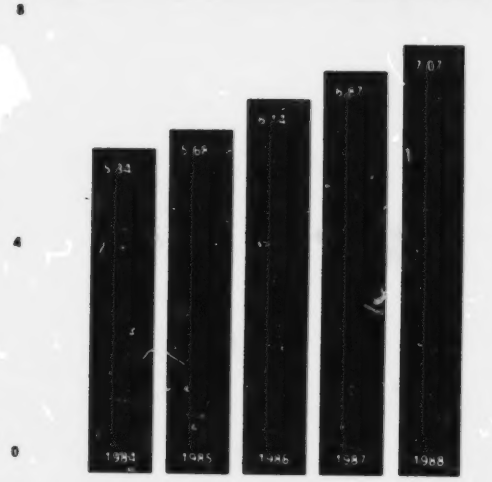
Graph 10
Transfer payments - Health
$ billions



• **Educational transfer payments** were $7,068 million. The Province supports local school boards for primary and secondary schools, as well as by funding universities, colleges and other post-secondary institutions. Major elements were:

- $3,816 million (54%) to local school boards for their operating and capital costs;
- $2,175 million (31%) to the post-secondary educational sector for operating and capital costs;
- $476 million (7%), as the matching employer's share of teachers' contributions for the Teachers' Superannuation and Adjustment Funds, and to supplement the pensions paid under these plans.

Graph 11
Transfer payments - Education
$ billions

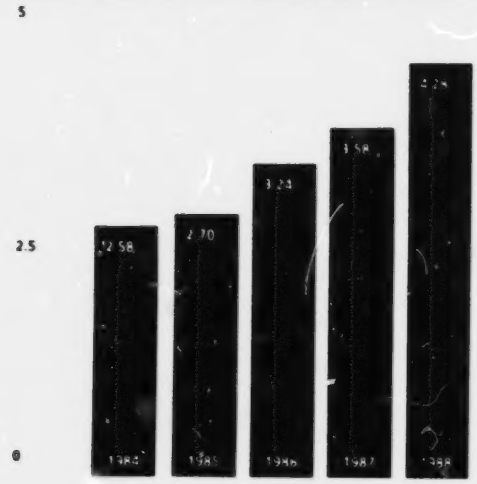


• **Social services transfer payments** totalled $4,280 million. These payments are made mainly by the Ministry of Community and Social Services. Major elements were:

- $2,409 million (56%) for income maintenance to individuals requiring assistance on a long-term basis and subsidies to municipalities for their temporary assistance programs;

– $877 million (20%) toward the support of children's programs such as children's aid societies, child care, mental health facilities and young offender's programs;
– $561 million (13%) paid by the Ministry of Revenue, in the form of property tax grants, sales tax grants and guaranteed annual income system, all of which benefit Ontario senior citizens.

Graph 12
Transfer payments - Social services
$ billions

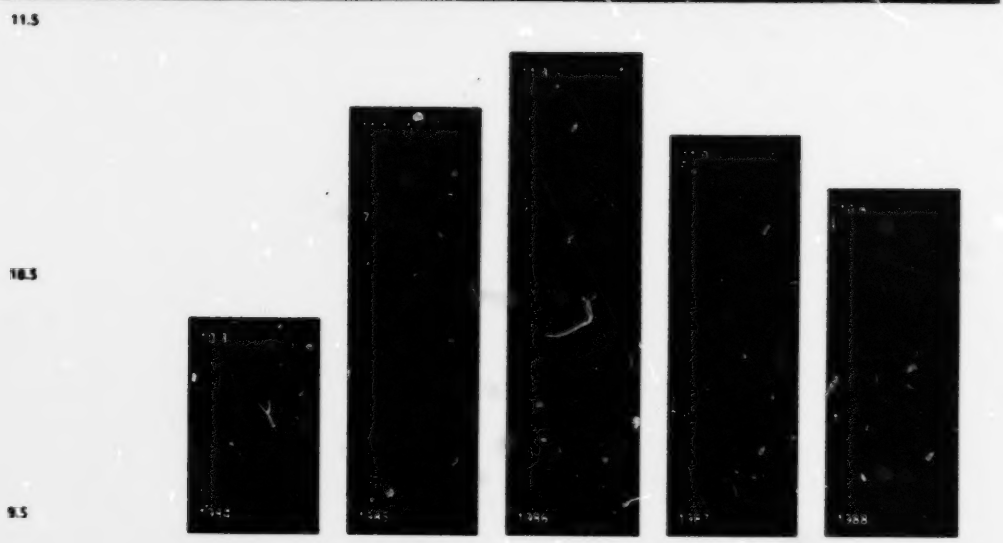


• **Transfer payments to local governments,** designed to assist general municipal programs totalled $2,429 million. Major elements were:

– unconditional grants to municipalities of $824 million;
– subsidies of $627 million to municipalities for road programs;
– capital and operating subsidies of $323 million for municipal transportation systems.

Graph 13

Interest on debt issued for provincial purposes as a percentage of expenditure



Program delivery

Program delivery costs, which consist of public servants' salaries and benefits and other direct operating expenditures, totalled $5,805 million or 16.6 per cent of total expenditures.

Interest on debt issued for provincial purposes

Interest costs associated with debt for provincial purposes were $3,771 million, 10.8 per cent of expenditure, down from 11.0 per cent in the previous year. Graph 13 shows the five year trend of interest costs.

Capital investments

The capital investments of the Province include direct capital projects such as provincial highways and the Province's share of capital spending undertaken by municipalities, hospitals, universities, school boards, other provincial organizations and joint projects with private industry.

In fiscal 1987-88, these investments amounted to $2,623 million, up from $2,473 million the year before.

Other Transactions

Other transactions consist of lending and investment activities as well as the administration of pension and related benefit funds and special purpose accounts. These transactions resulted in net inflows to the Consolidated Revenue Fund of $1,203 million, $115 million over the 1987-88 Budget estimate.

Pension and related benefit funds

Net inflows of these funds, consisting of deposits and interest earnings less payments, were $824 million. These represent employer and employee contributions and interest earnings of funds held mainly for government employees, members of the Legislature, provincial judges and the Superannuation Adjustment Fund.

Lending and investment

Loans and advances to, and investments in various Crown agencies and local governments amounted to $144 million. Repayments of loans and advances were $370 million, producing a net inflow of $226 million.

Special purpose accounts

Net inflows from these accounts were $153 million, consisting mainly of Province of Ontario Savings Office deposits and a variety of special purpose accounts. The Savings Office, with 21 branches in Ontario, accepts interest-bearing deposits from the general public and provides chequing privileges. All deposits are fully guaranteed by the Province. Funds surplus to the day-to-day operating needs are deposited with the Treasurer of Ontario. The balance on deposit at year end was $1,073 million, an increase of $161 million from the previous year.

Other transactions (net) — **Table 2**

($ millions)	Budget 1987-88		Actual 1986-87
Pension and related benefit funds - net payments into funds	824	**824**	760
Loans, advances and investments in various Crown agencies and local governments - net repayments	139	**226**	313
Special purpose accounts - net increase in funds held	125	**153**	213
Total other transactions (net)	1,088	**1,203**	1,286

Consolidated Debt of the Ontario Public Sector

Debt includes obligations that have a specified term to maturity and are secured by debt instruments including bonds, debentures, notes and treasury bills. Ontario's outstanding debt of $36,363 million comprised $28,822 million for its own purposes and $7,541 million incurred for Ontario Hydro. In addition, the Province's statement of financial position shows other liabilities, mainly to public sector pension plans.

As shown on Graph 14, the Province has borrowed mainly from the Canada Pension Plan (CPP) and the Teachers' Superannuation Fund (TSF). The proportion of the CPP investable surplus funds offered for borrowing by the Province is in the same proportion as Ontario residents' contributions bear to the total contributions to the Plan. $376 million of CPP debt was repaid in 1987-88 and as a result, Ontario's own purpose CPP debt declined by $334 million.

The Teachers' Superannuation Commission, which administers the pension plan of the teachers in Ontario, invests its surplus funds in provincial securities. The Province borrowed $1,620 million from the TSF in 1987-88.

The Province also borrows on behalf of Ontario Hydro in the United States and from the Canada Pension Plan. The proceeds advanced to Ontario Hydro are secured by bonds bearing like terms and conditions to the securities issued by Ontario. Of the $7,541 million outstanding at March 31, 1988, $6,033 million was borrowed in the United States and $1,508 million from CPP.

In addition, securities issued by Ontario Hydro in other markets are guaranteed by the Province. This contingent liability amounted to $17,487 million at year end.

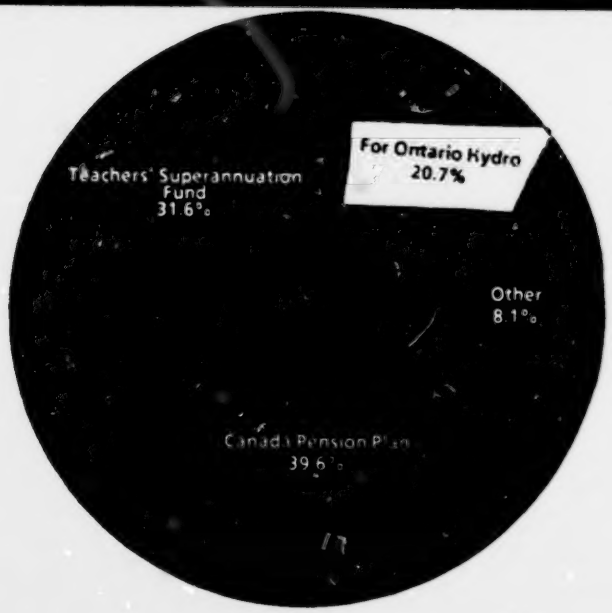
Public sector debt

A broad measure of debt in Ontario is presented in Table 3 and includes:

- Ontario's debt for provincial purposes;
- Ontario's debt issued on behalf of Ontario Hydro;
- obligations issued by Ontario Hydro and guaranteed by the Province;
- debt incurred by provincial agencies and by the local government, university and hospital sectors.

The consolidated debt approach highlights the effects of Ontario's policy of centralized public sector financing through which the Province's own financial base has been used to fund the local government sector and its agencies. The Province has also carefully controlled the use of the provincial guarantee, restricting it almost exclusively to borrowings by Ontario Hydro.

Graph 14
Major components of debt



Consolidated debt of the Ontario public sector **Table 3**

March 31 ($millions)	[illegible]	[illegible]	Actual 1987	%
Debt incurred for				
– Provincial purposes	28,822	49.9	27,921	49.4
– Ontario Hydro	7,541	13.0	7,786	13.8
Guaranteed Debt*				
– Ontario Hydro	17,487	30.2	16,509	29.3
Sub-Total	53,850	93.1	52,216	92.5
Other Public Sector Debt				
Provincial Agencies	1,258	2.2	1,399	2.5
Local Government Sector**	2,569	4.4	2,630	4.7
University and Hospital Sector	167	0.3	178	0.3
Sub-Total	3,994	6.9	4,207	7.5
Total	57,844	100.0	56,423	100.0

* The guaranteed debt excludes bank loans and is net of debt accumulated by Ontario Hydro for early retirement, which in 1988 was $1,062 million (1987 $994 million).

** The local government sector debt excludes sinking funds and own holdings, which in 1988 totalled $791 million (1987 $763 million).

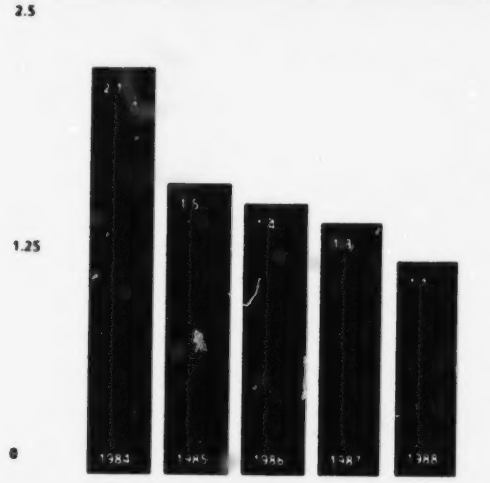
Selected Financial and Economic Statistics

March 31 ($ millions)	[redacted]	86-87	85-86*	84-85	83-84
Revenue	**32,453**	29,544	26,240	23,893	21,412
Expenditure	**34,942**	32,178	28,854	26,452	24,565
Deficit	**2,489**	2,634	2,614	2,559	3,153
Other transactions (net)					
Repayments and deposits	**1,724**	1,677	1,452	1,303	1,235
Payments	**521**	391	443	446	371
Other transactions (net)	**1,203**	1,286	1,009	857	864
Net cash requirements	**1,286**	1,348	1,605	1,702	2,289
Provincial debt transactions (net)	**901**	1,194	2,102	2,090	2,860
Ontario Hydro debt transactions (net)	**(245)**	(403)	(17)	719	429
Liabilities					
Debt incurred for					
- Provincial purposes	**28,822**	27,921	26,695	24,593	22,503
- Ontario Hydro	**7,541**	7,786	8,189	8,206	7,487
Other	**8,159**	7,182	6,209	5,448	4,903
Total liabilities	**44,522**	42,889	41,093	38,247	34,893
Gross domestic product at market prices[1]	**223,952**	204,411	184,973	170,632	151,945
Gross domestic product in constant (1981) prices[1]	**168,228**	161,407	151,970	144,686	133,096
Personal income (Ontario)[1]	**186,003**	172,075	159,133	146,073	131,947
Personal income (Ontario) per capita[1] (June 1 population) (in dollars)	**20,063**	18,882	17,670	16,409	14,997
Net cash requirements/GDP(%)	**0.6**	0.7	0.9	1.0	1.5
Debt incurred for provincial purposes/GDP (%)	**12.9**	13.7	14.4	14.4	14.8
Consolidated debt of the public sector/GDP (%)	**25.8**	27.7	29.4	29.7	31.1
Contingent liabilities	**18,595**	17,603	15,963	14,220	12,711

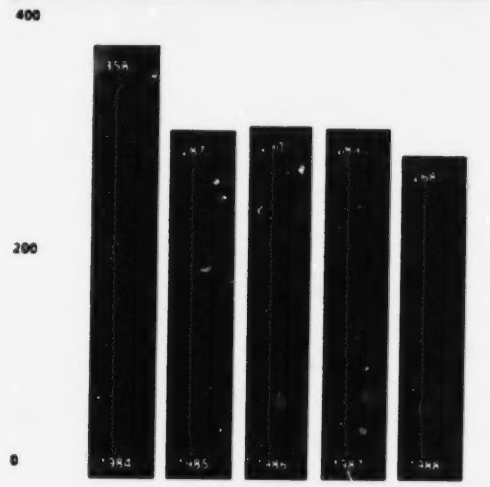
[1] Gross domestic product and personal income are calculated on a calendar year basis. The amounts appearing in a fiscal year column are for the preceding calendar year.

* Before extraordinary adjustments

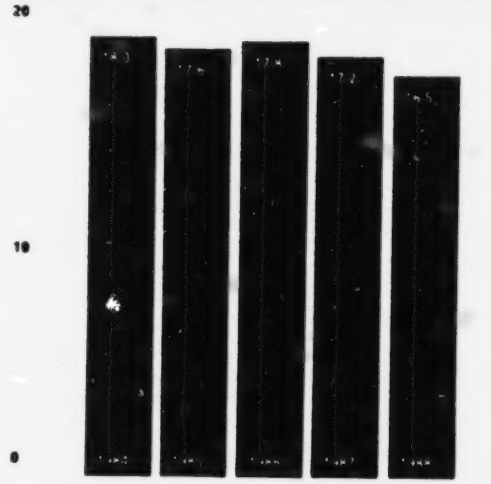
Graph 15
Deficit as a percentage of GDP



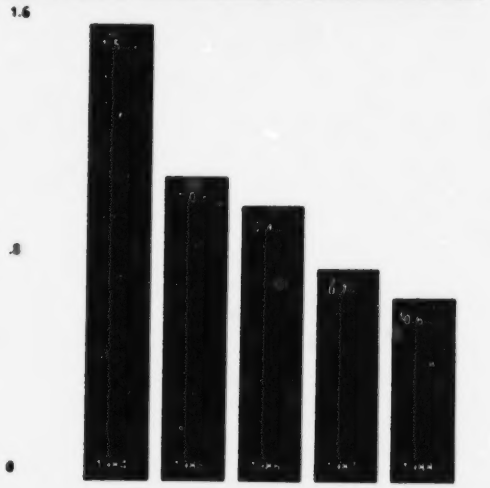
Graph 16
Deficit (dollars per capita)



Graph 17
Liabilities for Provincial Purposes as a percentage of GDP



Graph 18
Net cash requirements as a percentage of GDP



1988 Financial Statements

Summary of significant accounting policies	21
Statement of consolidated revenue fund transactions	23
Statement of revenue	24
Statement of expenditure	25
Statement of other transactions	26
Statement of debt transactions	27
Statement of financial position	28
Notes to the financial statements	29
Provincial Auditor's opinion	33

Summary of Significant Accounting Policies

Reporting entity

The financial statements, prepared using the concept of a Consolidated Revenue Fund, have been designed to provide an accounting of the financial resources appropriated by the Ontario Legislature. The policies and practices followed by the Province are designed to accommodate reporting to the Legislature and accordingly the financial transactions of Government ministries are set out as Consolidated Revenue Fund cash inflows and outflows. The activities of Crown corporations, boards and commissions are reported only to the extent to which their operations have been financed from or have contributed to the Consolidated Revenue Fund.

Basis of accounting

The cash basis of accounting used by the Province is modified to allow for an additional thirty days to pay for obligations incurred during the fiscal year just ended. Cash inflows, however, are closed at March 31 for cash received or in transit.

Loans and advances are recorded as financial assets if they are expected to be repaid and have specific terms and conditions. The asset values are periodically adjusted when it can be reasonably determined that the value of their underlying security has diminished, or when the Province's asset is not likely to be fully recovered. Equity holdings in Crown corporations are valued at a nominal amount of $1.

Revenue

This includes revenue raised through taxation, premiums, fees, licences and permits, payments from the federal government under fiscal arrangements and shared-cost programs, and income from investments.

Expenditures

Expenditures on government programs include transfer payments to individuals, local governments and institutions, interest on debt issued for provincial purposes, salaries and employee benefits, payments for goods and services, and the acquisition and construction of fixed assets. Fixed asset costs are charged to expenditure when acquired or constructed since they are not considered to differ from any other service to the public.

Other transactions

Other transactions are the lending, investment and special account administration activities of the Government, including loans, advances and investments, pension and related benefit funds and special purpose accounts. The transactions affect only asset and liability accounts.

Loans, advances and investments

These are the lending and investment activities in various Crown corporations, agencies and local governments.

Pension and related benefit funds

Pension and related benefit funds which are mainly for government employees, members of the Legislature and Provincial judges are comprised of employee and employer contributions and interest earnings less payments made.

Special purpose accounts

Special purpose accounts are generally established by legislation and administered by the Province. Deposits with the Province of Ontario Savings Office and the Motor Vehicle Accident Claims Fund are major examples.

Financing transactions

Financing consists of debt transactions and the net change in cash and temporary investments.

Debt transactions are the borrowing and repayment activities for the Province's own purposes.

Financial assets, accumulated deficit and liabilities

Financial assets

Financial assets are claims by the Consolidated Revenue Fund on other parties and have been created by cash transactions.

Accumulated deficit

The accumulated deficit of the Province is the difference between its liabilities and its financial assets. The year-to-year change in the accumulated deficit is the amount by which revenues are greater or less than expenditures.

Liabilities

Liabilities are claims by other parties on the Consolidated Revenue Fund.

Debt incurred for provincial purposes comprises debentures, notes and treasury bills which are recorded at face value. The general resources of the Province are used for the continued orderly retirement of debt and no sinking funds are maintained for this purpose.

Other liabilities include pension and related benefit funds, deposits with the Province of Ontario Savings Office and other special purpose accounts.

Contingent liabilities

The contingent liabilities of the Province consist of guarantees by the Treasurer of Ontario and material claims against the Crown. Contingent liabilities denominated in foreign currencies are translated to Canadian dollars at year-end rates of exchange.

Ontario Hydro

Advances to, and debt incurred for, Ontario Hydro relate to amounts borrowed on behalf of Ontario Hydro. The Province issues securities, and advances the proceeds to Ontario Hydro in exchange for Ontario Hydro bonds with like terms and conditions. Since these transactions and the ensuing retirement and debt servicing costs are the result of a financing alternative and are not part of the Province's own budget plan, they are classified separately. Both the advances and debt incurred are stated in Canadian dollars using the year-end rate of exchange.

Statement of Consolidated Revenue Fund Transactions

Province of Ontario			
For the year ended March 31, 1988 ($ millions)	Budget 1988	**Actual 1988**	Actual 1987
Revenue	32,278	**32,453**	29,544
Expenditure	34,346	**34,942**	32,178
Deficit	2,068	**2,489**	2,634
Other transactions (net)			
Pension and related benefit funds	824	**824**	760
Loans, advances and investments	139	**226**	313
Special purpose accounts	125	**153**	213
Total other transactions (net)	1,088	**1,203**	1,286
Net cash requirements	980	**1,286**	1,348
Financing			
Debt transactions			
Proceeds of loans net of retirements	992	**901**	1,194
(Increase)/decrease in cash and temporary investments	(12)	**385**	154
Total financing	980	**1,286**	1,348

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of Revenue

Province of Ontario For the year ended March 31, 1988 ($ millions)	Budget 1988	Actual 1988	Actual 1987
Taxation			
Personal income tax	9,959	**9,859**	8,618
Retail sales tax	6,060	**6,305**	5,604
Corporations tax	3,700	**3,600**	3,205
Gasoline tax	1,000	**1,035**	989
Tobacco tax	630	**639**	611
Land transfer tax	450	**477**	353
Fuel tax	280	**291**	266
Public utilities income tax	45	**90**	14
Race tracks tax	75	**75**	71
Mining profits tax	50	**13**	121
Other	13	**5**	11
	22,262	**22,389**	19,863
Other revenue			
Ontario Health Insurance Plan premiums	1,687	**1,723**	1,669
Profits from Crown corporations and boards			
Liquor Control Board of Ontario	670	**651**	629
Ontario Lottery Corporation	500	**470**	465
Vehicle registration fees	498	**506**	438
Liquor Licence Board of Ontario revenues	328	**351**	321
Interest on investments, loans and advances	300	**295**	328
Other fees and licences	280	**249**	257
Royalties	170	**177**	167
Utility service charges	135	**145**	120
Fines and penalties	100	**104**	95
Sales and rentals	100	**96**	99
Other	220	**222**	223
	4,988	**4,989**	4,811
Government of Canada			
Established Programs Financing			
Cash Contribution	2,790	**2,773**	2,813
Extended Health Care Services	433	**436**	407
Canada Assistance Plan	1,240	**1,305**	1,123
National Training Agreement	127	**131**	157
Other	438	**430**	370
	5,028	**5,075**	4,870
Total revenue	32,278	**32,453**	29,544

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of Expenditure

Province of Ontario			
For the year ended March 31, 1988 ($ millions)	Budget 1988	Actual 1988	Actual 1987
Ministry			
Agriculture and Food	542	**566**	465
Attorney General	357	**382**	327
Office Responsible for Women's Issues	18	**17**	8
Office Responsible for Native Affairs	4	**2**	4
Citizenship	40	**39**	35
Colleges and Universities	2,400	**2,391**	2,254
Community and Social Services	3,636	**3,775**	3,285
Consumer and Commercial Relations	130	**135**	113
Correctional Services	380	**402**	330
Culture and Communications	224	**227**	249
Education	4,382	**4,447**	4,383
Energy	45	**43**	43
Environment	397	**385**	340
Financial Institutions	30	**31**	23
Government Services	525	**542**	461
Office Responsible for Disabled Persons	7	**6**	5
Office Responsible for Senior Citizens Affairs	9	**5**	3
Health	11,271	**11,529**	10,480
Housing	378	**333**	296
Industry, Trade and Technology	174	**173**	197
Intergovernmental Affairs	8	**9**	7
Labour	111	**107**	90
Legislative and Executive Offices	12	**10**	9
Management Board of Cabinet	35	**37**	25
Municipal Affairs	930	**922**	891
Natural Resources	548	**552**	529
Northern Development and Mines	275	**239**	220
Revenue	794	**786**	703
Skills Development	455	**385**	405
Solicitor General	412	**405**	368
Tourism and Recreation	175	**169**	167
Transportation	1,900	**1,914**	1,765
Treasury and Economics	190	**93**	74
Interest on debt issued for provincial purposes	3,820	**3,771**	3,539
Other	82	**113**	85
Expenditure savings and constraints (note 10)	(350)		
Total expenditure (note 9)	**34,346**	[redacted]	**32,178**

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of Other Transactions

Province of Ontario For the year ended March 31, 1988 ($ millions)	Budget 1988	[redacted]	Actual 1987
Pension and related benefit funds			
DEPOSITS TO:			
Public Service Superannuation Fund	780	**789**	714
Superannuation Adjustment Fund	350	**345**	313
Other	26	**24**	22
	1,156	**1,158**	1,049
PAYMENTS FROM:			
Public Service Superannuation Fund	203	**206**	181
Superannuation Adjustment Fund	118	**119**	100
Other	11	**9**	8
	332	**334**	289
Net deposit to pension and related benefit funds	824	**824**	760
Loans, advances and investments			
REPAYMENTS BY:			
Corporations, boards and commissions			
Ontario Mortgage Corporation	120	**144**	177
Development Corporations	40	**71**	64
Other	10	**8**	8
School boards	45	**45**	49
Water treatment and waste control facilities	28	**34**	52
Local governments	23	**43**	47
Other loans, advances and investments	30	**25**	8
	296	**370**	405
PAYMENTS TO:			
Corporations, boards and commissions			
Development Corporations	88	**103**	47
Other	1		
Water treatment and waste control facilities	21	**20**	17
Local governments	21	**20**	23
Other loans, advances and investments	26	**1**	5
	157	**144**	92
Net repayments of loans, advances and investments	139	**226**	313

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of Other Transactions
(continued)

Province of Ontario For the year ended March 31, 1988 ($ millions)	Budget 1988	**Actual 1988**	Actual 1987
Special purpose accounts			
DEPOSITS TO:			
Province of Ontario Savings Office (net)	100	**161**	195
Motor Vehicle Accident Claims Fund	10	**12**	13
Other	26	**23**	15
	136	**196**	223
PAYMENTS FROM:			
Motor Vehicle Accident Claims Fund	9	**6**	6
Other	2	**37**	4
	11	**43**	10
Net deposits to special purpose accounts	125	**153**	213
Total other transactions (net)	1,088	**1,203**	1,286

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of Debt Transactions

Province of Ontario For the year ended March 31, 1988 ($ millions)	Budget 1988	**Actual 1988**	Actual 1987
Proceeds of loans			
Canada Pension Plan Investment Fund		**42**	232
Teachers' Superannuation Fund	1,625	**1,620**	1,310
Total proceeds of loans	1,625	**1,662**	1,542
Retirements of loans			
Canada Pension Plan Investment Fund	376	**376**	333
Teachers' Superannuation Fund	176	**176**	
Other debentures and notes	81	**209**	15
Total retirements of loans	633	**761**	348
Debt transactions (net)	992	**901**	1,194

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of Financial Position

Province of Ontario

As at March 31, 1988 ($ millions)	1988	1987
Financial assets		
Cash and temporary investments (note 1)	**1,594**	1,979
Investments in water treatment and waste control facilities (at cost less recoveries) (note 2)	**468**	482
Loans to local governments	**448**	516
Advances to corporations, boards and commissions (note 3)	**383**	503
Other loans	**68**	92
	2,961	3,572
Advances to Ontario Hydro, secured by bonds (note 4)	**7,541**	7,786
Total financial assets	**10,502**	11,358
Accumulated deficit	**34,020**	31,531
	44,522	42,889
Liabilities		
Debt incurred for provincial purposes (note 5)	**28,822**	27,921
Pension and related benefit funds (note 6)	**6,981**	6,157
Deposits with the Province of Ontario Savings Office	**1,073**	912
Special purpose accounts	**105**	113
Total liabilities for provincial purposes	**36,981**	35,103
Debt incurred for Ontario Hydro (note 5)	**7,541**	7,786
	44,522	42,889
Contingent liabilities (note 8)	**18,595**	17,603

See accompanying Summary of significant accounting policies and Notes to the financial statements.

The accompanying March 31, 1988 financial statements of the Province of Ontario, including the notes are the responsibility of the Office of the Treasury and have been prepared in accordance with the accounting policies as described in the Summary of Significant Accounting Policies. In the opinion of the Office of the Treasury, these financial statements have been properly prepared, include all material items, and contain all information available up to July 20, 1988

M. Mogford

M. MOGFORD, Deputy Treasurer of Ontario and Deputy Minister of Economics

W. Tysall

W.D. TYSALL, C.A., Director, Financial Information and Accounting Policy Branch

Notes to the Financial Statements

(all tables in millions of dollars)

1. Cash and temporary investments

Temporary investments are mainly marketable, short-term securities issued by Canadian chartered banks, provincial and federal governments and are recorded at cost.

2. Investments in water treatment and waste control facilities

The Ministry of the Environment lets extensive contracts for the building of water and sewage systems to serve municipalities. These investments are being recovered over the life of the agreements with the municipalities.

Agreements covering $404 million of the investment are for provincially-owned projects that are subject to service rate billings. The proceeds from these billings are used to amortize the investment over periods of up to forty years, to pay for operating costs, and to provide a return on the investment.

Certain other agreements provide for the accumulation of the principal portion of annual amortization payments in a sinking fund. The accumulated balance in these funds, amounting to $36 million at March 31, 1988 (1987 $36 million), was applied as a reduction of the investment account.

3. Advances to corporations, boards and commissions

	1988	1987
Development Corporations	$290	$258
Other	93	245
	$383	$503

The Province advances funds for the lending activities carried out by the Development Corporations. The province also defrays the Corporations' costs for all administrative expenses, loans made at low interest rates, and honouring guarantees, amounting to $19 million in 1988 (1987 $16 million). Advances to the Corporations are reduced by their loan forgiveness and write-offs, amounting to $23 million in 1988 (1987 $16 million).

4. Advances to Ontario Hydro

The Province issues securities and advances the proceeds to Ontario Hydro in exchange for Ontario Hydro bonds with like terms and conditions. These transactions and the ensuing retirement and debt servicing costs are the result of a financing alternative and are not part of the Province's own budget plan. As at March 31, 1988, the bonds consist of U.S. $4,888 million (1987 U.S. $5,109 million), and Canadian $1,508 million (1987 Canadian $1,119 million) with respect to Canada Pension Plan funds. The bonds denominated in U.S. dollars are recorded at $6,033 million (1987 $6,667 million), the Canadian dollar equivalent using the exchange rate in effect at year-end. Transactions during the year are as follows:

	1988	1987
Proceeds of loans	$ 389	$ 119
Retirements of loans	(280)	(50)
Net proceeds/retirements	109	69
Foreign exchange - (gain)/loss	(354)	(472)
Net (decrease) increase in debt incurred for Ontario Hydro purposes	(245)	(403)
Related advances, interest and recoveries		
Advances to Ontario Hydro	389	119
Interest	884	897
Recovery of interest and loan retirements	(1,164)	(947)
Net advances	109	69
Foreign exchange - (gain)/loss	(354)	(472)
Net related advances, interest, foreign exchange - (gain)/loss and recoveries	$(245)	$ (403)

5. Debt

Debentures, notes and treasury bills for provincial purposes and for Ontario Hydro, expressed in Canadian dollars, are summarized by years of repayment/maturity in the following tables.

For Provincial purposes

Years of repayment/ maturity March 31	1988	Weighted average interest rate %	1987	Weighted average interest rate %
1988	$		$ 1,427	
1989	1,570		920	
1990	454		454	
1991	486		486	
1992	508		508	
1993	1,001			
1-5 years	4,019	7.82	3,795	7.72
6-10 years	5,148	8.68	5,047	8.28
11-15 years	7,690	11.36	6,780	10.54
16-20 years	10,097	12.28	10,097	12.22
21-25 years	1,772	10.78	2,093	12.76
26-30 years	74	9.82	73	9.97
31-35 years	22	10.22	36	10.24
	$28,822	10.67	$27,921	10.52

Payable to:	1988	1987
Minister of Finance of Canada		
Canada Pension Plan Investment Fund	$14,393	$14,727
Other	342	351
Teachers' Superannuation Fund	11,473	10,029
The Ontario Municipal Employees Retirement Fund	1,293	1,293
Public Investors	1,321	1,521
	$28,822	$27,921

For Ontario Hydro

Years of repayment/ maturity March 31	1988 Canadian	United States	Total	Weighted average interest rate %	1987 Total	Weighted average interest rate %
1988	$	$	$		$ 261	
1989						
1990		247	247		261	
1991		54	54		57	
1992		486	486		514	
1993		240	240			
1-5 years		1,027	1,027	13.54	1,093	12.56
6-10 years		485	485	10.19	617	12.95
11-15 years	1,000	613	1,613	11.89	1,611	11.80
16-20 years	508	1,778	2,286	8.91	1,679	8.85
21-25 years		2,010	2,010	11.96	2,416	11.07
26-30 years		120	120	11.75	370	12.78
	$1,508	$6,033	$7,541	11.12	$7,786	11.18

Payable to	1988	1987
Minister of Finance of Canada		
Canada Pension Plan Investment Fund	$1,508	$1,119
Public Investors	6,033	6,667
	$7,541	$7,786

The U.S. dollar debenture liability has been revalued, using the rate of exchange as at March 31. The foreign exchange gain is $354 million ($472 million in 1987).

As explained in Note 4, the Province has an offsetting asset of Ontario Hydro bonds with like terms and conditions to the securities issued by the Province.

6. Pension and related benefit funds

The Province maintains accounts within the Consolidated Revenue Fund for all contributions and interest earnings less payments regarding the following pension and related benefit funds and accounts. The amounts recorded by the Province represent all the assets of these plans.

	1988	1987
Public Service Superannuation Fund	$5,145	$4,563
Superannuation Adjustment Fund	1,740	1,514
Legislative Assembly Retirement Allowances Account	39	36
Provincial Judges Benefits Fund	44	37
Other	13	7
	$6,981	$6,157

The latest actuarial report of the Public Service Superannuation Fund as at December 31, 1985, showed a surplus of $109.9 million.

The Superannuation Adjustment Fund provides inflation protection to recipients of pensions payable from the Public Service Superannuation Plan, the Teachers' Superannuation Plan and the Retirement Pension Plan of the Ryerson Polytechnical Institute. Recipients include deferred annuitants as well as those in receipt of a pension. Funding is on a modified pay-as-you-go basis. Two recently released reports, the Report on the Task Force on the Investment of Public Sector Pension Funds, chaired by Malcolm Rowan and the Report on the Financing of Benefits under the Superannuation Adjustment Benefits Act and Associated Superannuation Plans by Laurence Coward, recommend changes in the ways in which the benefits are funded. The reports are currently under review.

An actuarial review of the Legislative Assembly Retirement Allowances Account as at March 31, 1987, showed a deficit of $274,801. The Province has made this payment as at March 31, 1988.

7. Teachers' Superannuation Fund

The Province makes annual payments matching teachers' contributions to the Teachers' Superannuation Fund, which is administered by the Teachers' Superannuation Commission. The Province is also committed to paying any deficiency in the Fund.

The latest actuarial report as at December 31, 1984 showed a surplus of $693 million.

8. Contingent liabilities

	1988	1987
Obligations guaranteed by the Province:		
Debentures, bonds and notes		
Ontario Hydro	$17,487	$16,509
Bank loans guaranteed		
Corporations and individuals through various government programs	577	533
Other guarantees		
Corporations	531	561
	$18,595	$17,603

Claims against the Crown:

There are claims outstanding against the Crown of which eight are for amounts over $50 million each, arising from legal action either in progress or threatened in respect of native Indian land claims, breach of contract, damages to persons and property and like items. The cost to the Province, if any, cannot be determined because the outcome of these actions is uncertain. To the extent that any such claims are successful, settlements resulting therefrom will be recorded as expenditures when paid.

9. Expenditure by standard account classification

	1988	1987
Salaries and wages	$ 2,919	$ 2,643
Employee benefits	489	404
Transportation and communication	314	293
Services	1,342	1,201
Supplies and equipment	651	666
Acquisition/construction of physical assets	436	367
Transfer payments	25,410	23,397
Interest on debt issued for provincial purposes	3,771	3,539
Other	169	168
Less: recoveries	(559)	(500)
Total expenditure	$34,942	$32,178

10. Budget figures

The budget figures in the financial statements are based on data from the 1987 Ontario Budget which was presented by the Treasurer of Ontario to the Legislative Assembly on May 20, 1987.

The Expenditure savings and constraints figure in the Statement of expenditure represents expected underspending during the year which was not specifically identified by ministry at Budget time.

11. Comparative figures

The 1987 comparative figures have been reclassified where necessary to conform with the 1988 financial statement presentation.

Provincial Auditor's Opinion

I have examined the statement of financial position of the Province of Ontario as at March 31, 1988 and the statements of consolidated revenue fund transactions, revenue, expenditure, other transactions and debt transactions for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly, in accordance with the basis of accounting set out in the Summary of Significant Accounting Policies, the financial position of the Province as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended. Further, in my opinion, these Policies have been applied on a basis consistent with that of the preceding year.

The terms "in my opinion" and "present fairly" in the preceding paragraph are intended to convey that my examination was carried out to provide a high degree of assurance that the financial statements of the Province do not contain material aggregate error. More specifically, I am 99 per cent confident that the total of any errors in the financial statements is less than $70 million.

In accordance with section 12 of the Audit Act, a report will be made to the Speaker of the Legislative Assembly. A more complete explanation of the Provincial Auditor's opinion will be included in this report.

D.F. Archer, F.C.A.,
Provincial Auditor

Toronto, Ontario
July 20, 1988

Sources of Additional Information

The Ontario Budget

The Ontario government presents a Budget each year, usually in the early spring. The background and implications of any new tax proposals are contained in the Budget papers, which include the Budget Statement, Budget measures, the fiscal plan and other information. Copies may be obtained free from the Ontario Government Bookstore, 880 Bay Street, Toronto, 965-6015 or by writing to Publications Ontario, 5th Floor, 880 Bay St., Toronto, Ontario M7A 1N8.

The Estimates of the Province of Ontario

The government's spending estimates for the fiscal year commencing April 1 are presented to members of the Legislative Assembly following the presentation of the Ontario Budget by the Treasurer. The estimates outline the spending plans of each Ministry that the Legislative Assembly will be asked to approve in the form of the Supply Act and various other appropriation acts. Supplementary estimates are tabled as required during the fiscal year. Copies of the estimates may be obtained free from the Ontario Government Bookstore, 880 Bay Street, Toronto, 965-6015 or by writing to Publications Ontario, 5th Floor, 880 Bay Street, Toronto, Ontario M7A 1N8.

The Public Accounts of Ontario

The Public Accounts of Ontario, the government's annual financial report required by Section 13 of the Ministry of Treasury and Economics Act for the fiscal year ended March 31, is tabled in the Legislature usually in October of each year. They consist of three volumes:

- Volume 1 contains the financial statements of the Province and schedules of supporting information.
- Volume 2 contains the financial statements of those provincial Crown corporations, boards and commissions in which the Province has an investment or that have borrowed from the Province or from others with a guarantee by the Province. Also included are selected agencies and certain significant operational agencies that are funded in whole or in part by revenues generated from their operations.
- Volume 3 contains the details of expenditures required by the Standing Public Accounts Committee.

The Public Accounts are available from the Ontario Government Bookstore, 880 Bay Street, Toronto, Ontario. Prices are: Volume 1, $3; Volume 2, $2; Volume 3, $2.50.

Ontario Finances

This is a quarterly report on the government's Budget for the fiscal year. It covers developments during the fiscal year and provides a revised outlook for the remainder of the year. Copies may be obtained free by writing to the Ministry of Treasury and Economics, Communications Branch, 5th Floor, Frost Building South, 7 Queen's Park Crescent, Toronto, Ontario, M7A 1Y7.

Ontario Statistics

This report supplies information on four areas -- the Land, the People, the Economy and the Government. The latest edition (1986) is available from the Ontario Government Bookstore, 880 Bay Street, Toronto, or by writing to Publications Ontario, 5th Floor, 880 Bay Street, Toronto, Ontario, M7A 1N8. Price: $20.

Ontario Economic Accounts

This quarterly report contains data on changes in Ontario's economic growth. Copies may be obtained free by writing to the Ministry of Treasury and Economics, Office of Economic Policy, Economic Forecasting Branch, 6th Floor, Frost Building North, 95 Grosvenor Street, Toronto, Ontario, M7A 1Z1.

Demographic Bulletin

This bulletin provides statistics on the components of population changes in Ontario and is produced intermittently during the year. Copies may be obtained free from the the Ontario Government Bookstore, 880 Bay Street, Toronto, or by writing to Publications Ontario, 5th Floor, 880 Bay Street, Toronto, Ontario, M7A 1N8.